TEACHING ETHICAL BUSINESS PRACTICES IN A MULTICULTURAL CLASSROOM: UNDERSTANDING DIFFERENCES TO FIND COMMON GROUND

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ABSTRACT

In a global economy undermined by unethical business practices, business schools have a social mandate to teach and apply ethical decision making principles that graduates can carry into their future business professions. Management education must be designed to identify and encourage students to internalize universally accepted ethical principles. The multicultural make-up of management education programs provides business educators with a unique opportunity to engage upcoming generations of global business leaders in ethical behaviors. In 2010, approximately 691,000 international students sat in US classrooms, with the largest percentage studying business management. This plurality of cultures permits the consideration of diverse ethical views to identify commonalities among them, so that an emergent ethical framework will respect and accommodate those views, and allow for a conceptual 'bridge' between students' specific, ethical systems and a shared ethical system.

JEL: A20, M10

KEYWORDS: ethics education, moral reasoning, religiosity, multicultural classroom

INTRODUCTION

The corporate malfeasance perpetrated by companies such as Enron, Qwest, Xerox, Halliburton and Merck which resulted in market losses of approximately $US 7 trillion provided evidence of unethical business practices at the turn of the century. Despite the United States' quality corporate laws in place before these events (Gourevitch, 2003) and the passage of the Sarbanes-Oxley Act of 2002 after, unethical business practices continue to undermine business performance and investor confidence.

Various accrediting, academic and professional organizations have become increasingly concerned about the consequences – social and economic – of unethical business practices. Both AACSB and ACBSP business accrediting bodies have emphasized the need for more business ethics education. At the same time, leading academic institutions have made commitments to revise management education to graduate ethical business leaders. Codes of ethics are being added, revised or re-emphasized by organizations from the AICPA (American Institute of Certified Public Accountants) and the CIMA (Chartered Institute of Management Accountants) down to the Electronic Securities Association (Joachim,2010) and the Confederation of Construction Specialists(Code of, 2008).

When debating whether (1) bad business and regulatory decisions, or (2) a breakdown in integrity caused the most recent global financial crisis, more than half of the Ethics and Compliance Officers Association annual meeting attendees attributed the crisis to a breakdown in integrity (Coultas, 2009). The American Advertising Foundation (AAF), in reaction to a third from the bottom finish in a 2007 poll for honesty and ethics, has established an Institute for Advertising Ethics (Neff, 2010). Ahead of the curve for some international ethical standards is the Aerospace Industries Association whose Board of Governors signed

off on its Global Principles of Business Ethics for the Aerospace and Defense Industry in 2009 (AIA leadership signs global, 2009).

Despite actions on the part of governments and professional organizations, a review of periodicals – national and international – continues to provide overwhelming evidence that unethical practices are still undermining our increasingly interdependent global economy. International trade surpassed 50 percent of global GDP in 2007 (Rodrigue, 2011). In the United States alone from the first quarter of 2009 to the first quarter of 2011, exports and imports had increased by 35.7 percent and 38.7 percent, respectively (U.S. International Trade in Goods and Services, April 2011).

These trends in ethics and global interdependence have given business schools a social mandate to emphasize ethics and educate their graduates in ethical decision making. Recognizing global interdependence factors, past decades have generated calls for a transcultural ethics code that would be implemented multinationally (Thompson, 1997). Although some cultural relativism would need to be accommodated, research by Jackson (1997) suggests that a core of ethical norms can be identified and potentially applied globally. Since multiple studies have found that business education that incorporates ethics has a significant positive effect on ethical behavior (Okleshen and Hoyt, 1996, Lopez, et al., 2005, Bennis & O'Toole, 2005, Lau, 2009), the classroom seems a logical place to begin such a process.

Past and current literature has focused mainly on holistic perspectives of ethics. The goal of this paper is to conduct an exploratory review that will identify the challenges of teaching ethics in a multicultural environment. The findings will provide faculty with a framework for understanding students' ethical heritage and how these diverse values must be respected to design a universally accepted ethical framework that students can internalize, adopt and carry into their professions, a type of "third culture" (Evanoff, 2006). This paper is the first in a series that addresses moral reasoning, religion and culture as moderators of ethical behavior. The review of literature that follows presents justification for using multicultural graduate management classes as a laboratory to explore transcultural ethics.

LITERATURE REVIEW

As a result of the $7 trillion loss in capital markets (Heffes, 2003), Congress passed the Sarbanes-Oxley Act of 2002 (SOX) that imposed new regulations, oversight, duties and penalties on corporate executives, their boards, auditors and legal counsel as well as security analysts. (See Appendix A for a summary of key provisions of this act.) Although SOX did increase regulation and control, unethical business practices continue.   From July of 2002 through July of 2007, as a result of SOX and increased government oversight, the US Justice Department obtained 1,236 total corporate fraud convictions against 214 CEOs, 53 CFOs and 129 vice presidents ("Corporate convictions", 2007). Increased accountability should mitigate fraud, but has it?

In the investment industry, Ponzi schemes have become a minefield for the public to navigate with caution. The U.S. Department of Justice launched "Operation Broken Trust" in August of 2010 and by December of the same year had indicted 532 defendants who took 10.3 billion in losses from 120,000 investors (Lewis, 2010). Although none compare to Madoff's multibillion dollar rip-off, Ponzi schemes have surfaced across the nation and even in Bahrain ("Ahmad Hamad," 2011).

Fortunately, attitudes among accounting professionals with regard to earnings management have changed significantly in a pre-versus-post SOX environment (Grasso, Tilley & White, 2009; Fischer & Rosenzweig, 1994; Merchant and Rockness, 1994). Although earnings management is less acceptable, it remains vaguely defined, open to interpretation and a common component in many fraudulent reporting cases.

Despite increased legislation and monitoring of the business sector, the United States continues to have the highest instance of financial aberrations among developed nations. However, the U.S. is not alone. In India the CEO of Satyam Computer Services, B. Ramalinga Raju, confessed to fraudulent accounting and the Central Bureau of Investigation will hear the case this summer ("India's Mahindra Satyam", 2011). Citigroup officials working in India have been charged with "…falsifying accounts, breach of trust and conspiracy" and a Hero executive, Sanjay Gupta, has also been arrested in connection with these Citigroup charges ("Case registered against", 2011).

In the spring of 2010, a Chinese court sentenced Huang Guangyu, Ex-Gome chairman, to a 14-year prison sentence and $88 million in fines for bribery and other crimes against the state (Dean, J. & Ng, J, 2010). In contrast, Jack Ma, founder and CEO of China's Alibaba, recently fired over 100 sales people for signing gold supplier contracts with fraudulent suppliers, costing the company $2 million in damages (Epstein, 2011). In Japan, Livedoor's ex-CEO Horie was condemned in the press although not officially charged with buying stocks in off-hours trading, repeating stock splits and other questionable practices to boost the company's growth prospects (Tahara, 2006). Even Sweden's 150-year old insurance company saw its former CEO Lars-Eric Petersson sentenced to two years in prison for awarding $21.5 million in bonuses without board approval ("Skandia Former CEO", 2006).

Unethical practices are certainly not restricted to financial reporting, but often have an immediate impact on the bottom line; positively in the short-run but not long-term. Doctors are under increased scrutiny for earning "consulting fees" from drug and medical device manufacturers. Biotronik has a 95 percent market share for pacemakers at a Nevada hospital compared to a national market share that just breaks 5 percent after cardiologists received compensation as consultants (Meier, 2011). Construction giant Skanska was fined $19.6 million for violating rules to promote subcontracting to minority-owned businesses (Grossman, 2011). In New York, two hospital administrators and two contracting firms were recently indicted for bid-rigging and fraud on more than $42 million in hospital contracts (Rockoff, 2010). And Apple and Dell continue to refute the sweatshop label that has been attached to Foxconn's Shenzhen plant despite increased suicides and allegations of mismanagement and inhumane treatment of employees (Dean and Tsai, 2010).

Clearly, SOX and subsequent legislation by the U.S. and other nations has had limited success in creating an ethical business climate. This strongly suggests that legislation may not be the answer to rampant ethics problems. Morals and values can help clarify and perhaps even erase those issues. However, this solution is fraught with difficulties. For example, in the United States it is difficult to instill values that have a global perspective when dealing with a culture that emphasizes the individual above the community and defines success in terms of one's bank account. Other nations face similar challenges due to religion and culture. Clearly the global business environment would benefit from management education that embraced a common set of ethical business practices. This research is an early-stage investigation into the problems inherent in such an endeavor, with an eye toward solutions driven by business and management education.

In an effort to influence institutions of higher education and their development of future managers, the United Nations Global Compact Office recommended the establishment of a "principles-based engagement platform" for academic institutions. An international taskforce comprised of deans, presidents and representatives from business schools and university institutions created a set of Principles for Responsible Management Education (PRME, 2011). Among the members of the taskforce were representatives from AACSB International.

The PRME initiative called upon academic leadership to create "educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership".

Currently, 371 international academic institutions have signed the PRME initiative. They have pledged to facilitate and support dialog on critical issues related to global social responsibility and sustainability.

In recent years business schools and their faculties have been reflecting on content and methodology in their classrooms. (Miller, 2009) Some of that reflection has centered on their responsibility to produce ethical business professionals. There is widespread dissatisfaction in a society rife with excessive materialism, economic mismanagement leading to global crises, corporate scandals, ethical lapses and a lack of accountability in business practices. (Khurana & Nohria, 2008) Schools and universities are increasingly expected to play a role in students' moral development, with the expectation resulting in more ethical business professionals (Bennis & O'Toole, 2005).

Traditionally, business students are taught to maximize wealth as a primary objective in corporate practice. Recently accrediting institutions have begun to mandate that business schools teach and apply ethical decision making principles. (Falkenberg & Woiceshyn, 2008) Graduate and MBA programs in particular must impart useful "societal" skills and norms of ethical behavior and become more rigorous and relevant.

For business schools to become more relevant, training for business disciplines must incorporate professional codes of conduct. Since many issues facing business leaders involve questions of judgment and/or ethics, students must be able to identify ethical and moral problems, analyze them and understand their implications before making practical decisions. Therefore business schools' curricula need to be infused with multidisciplinary ethical questions reflecting issues business professionals face daily (Bennis & O'Toole, 2005).

If, as Aristotle has said, leadership is the ability to serve the common good, the education of business leaders demands a component of moral reasoning. Lawrence Kohlberg, a respected leader in moral reasoning research, suggests that moral development is measured not by people's actions, but how they reason about right and wrong (Kohlberg, 1981). His theory includes six stages in individual moral development, ranging from ethical behavior stemming from fear of punishment, through ethical behavior in conformation to group norms, to ethical behavior stemming from individual moral views and principles. "Each stage is meant to be not only a chronological and a developmental evolution from the previous one but also morally superior to it" (Donleavy, 2008).

Ethical awareness seems to increase with age and experience (Colby, et.al., 1983). In a study by Peterson, Rhoads and Vaught (2001), the results demonstrated that ethical standards were higher among business professionals over 30 years old. As people mature and develop, they move into higher levels of moral development (Dawson, 1997).

Given currently accepted views on moral growth and development, and on desired moral and ethical performance expectations of business professionals, it is clear that schools play a role in developing ethical professionals. However, closer examination of Kohlberg's theories will identify other formative pressures on moral and ethical development, predominantly in the early, and therefore critical, stages. Culture, religion, and family values are strong influencers, and that influence is already in place by the time students reach higher education venues. For business education to have a lasting impact, it must appreciate the values that students hold. This is a difficult task intensified by the diversity of moral reasoning and religions found in a multicultural classroom.

THE ROLE OF RELIGION AND SPIRITUALITY IN ETHICS

Most scholars assume that ethics are a product of culture, religion and spirituality (Rashid and Ibrahim, 2007, Vitell et.al, 2005). The following discussion will address the differences that might result in

different ethical views, based on these variables, and the effects that they might have on a student's ethical framework. A distinction is made between religion and spirituality (Bjsarnason, 2007, Emmons, 1999). Religion can provide a set of guidelines for behavior based on principles that come from a higher power, a single God or multiple gods. Spirituality comes from within the individual, and whatever behaviors are elicited are based on what that person believes fit into the context of a search for meaning and transcendence. Culture interacts with religious and spiritual beliefs, and the specifics of an individual upbringing by the family to influence how a person views ethics (Okleshen and Hoyt, 1996).

In order to understand individual students' own definitions of ethics, it is necessary to understand what factors have influenced each student, and how those influences might have shaped that student's ethical views. Students come from many different backgrounds, and have different religious and spiritual ideas. A discussion of a representative sample of religious and spiritual proscriptions is below. (see Exhibit A)

Judaism, Christianity, and Islam are monotheistic religions with clear rules and guidelines for moral behavior. The final authority is God. Each of these religions has a sacred text (Talmud, Bible, Qur'am) that adherents believe to be the word of God. Strict adherents will use their respective sacred texts to define what is 'right' and 'wrong,' or ethical. The relationship to God is on a personal level. The individual's actions determine what rewards or punishments he/she will receive in an afterlife.

Hinduism is a religion with many gods, each of whom represents some aspect of a supreme being, Brahman, the supreme reality above all. The religion is not monolithic, in that adherents may choose to honor a particular aspect of Brahman. Hindu religious life might take the form of devotion to God or multiple gods as aspects of Brahman, the duties of family life, or concentrated meditation. Individuals seek enlightenment, and there is no one prescribed path. The sacred texts, the Vedas, include tightly defined codes of conduct and morality. There is reincarnation after death until enlightenment is achieved.

Buddhism is not a religion, in that it does not suppose a god. Instead, it is a practice of spirituality and a search for a transcendent truth. Neither punishments nor rewards are meted out by a higher being. The effect of bad acts is simply a consequence of those acts. The individual makes a judgment about an immoral or unethical behavior based on whether that behavior brings him or her closer to enlightenment. The individual must view all actions in the context of their effect on himself or herself and on others. There are no punishments, only a failure to achieve enlightenment, if unethical behavior is pursued. Reincarnation after death is a way of restarting on the path to enlightenment.

Confucianism is perhaps best understood as an all-encompassing humanism that neither denies nor slights [God or] Heaven. Confucianism has been followed by the Chinese for more than two millennia. It has deeply influenced spiritual and political life in China; its influence has also extended to Korea, Japan, and Vietnam. East Asians may profess themselves to be Shintoists, Taoists, Buddhists, Muslims, or Christians - but seldom do they cease to be Confucians. The main principle of Confucianism is humaneness, which signifies excellent character. Loyalty to one's true nature, reciprocity, and filial piety constitute virtue. Confucianism is characterized by a highly optimistic view of human nature. Human beings are teachable, improvable, and perfectible through personal and communal endeavor. Aside from its important ethical principles, Confucianism does not prescribe any specific rituals or practices. These are filled by the practices of Chinese religion, Taoism, Buddhism, or other religions which Confucians follow.

Shintoism, at its core, is a set of beliefs in the mysterious, creating and harmonizing power of "kami," the forces of the earth and nature, and in their truthful ways. Shinto is polytheistic. Kami are associated primarily with permanent features in the landscape, such as unusual mountains, rocky cliffs, caves, springs, trees and stones. Shinto holds a generally positive view of human nature. Man's nature is sacred, though in need of purification. An individual must revere the basic human rights of everyone as well as his own. Shinto is described as a religion of *tsunagari* ("continuity or community"). The Japanese regard

each person as the bearer of a long, continuous history that comes down from his ancestors and continues in his descendants. He is also considered as a responsible member of various social groups. There is no one sacred text that defines rules for behavior. Some humans become kami after death, as a reward for good behavior.

Taoism **(**Daoism**)** is based on the teachings of the Tao Te Ching, a short tract written in the 6th century BC in China, its emphasis is on spiritual harmony within the individual and the world. This complements Confucianism's focus on social duty. Most of Taoists live in China, Taiwan or Southeast Asia. The underlying belief is that human beings are born pure, and should continue to maintain that state during their lives. A Taoist does not struggle, oppose, or strive. The focus of most religious Taoism is attaining immortality. This can have various meanings: eternal life, longevity of life, or attainment of superhuman physical abilities. One way to achieve immortality is to behave in a moral way that is in harmony with the Tao. There is no afterlife, only non-being. Thus, there is no reward or punishment after death.

By having a broad understanding of what students believe before discussing ethics, it is possible to realize how those beliefs are similar, with the goal of a generally accepted understanding ethics in practice. We consider all the major religions in this paper as equivalent in terms of their effects on the ethics that people may hold. Religiosity is significantly correlated with ethical perceptions (Conroy and Emerson, 2004, Parboteeah, et.al, 2007). However, while religion plays an important role in developing ethics, it would appear that the specific religious belief that a person holds is not important, only that he or she holds them. Yi-Hui Ho (2009) found that accounting students with religious beliefs revealed higher levels of ethical reasoning abilities than their counterparts who did not hold religious beliefs. However, no significant difference in ethical-reasoning abilities was found among respondents with different religions overall. Hodge (2006) refined the concept further with respect to what kind of religiosity was most influential, and found that respondents who defined religion in personally constructed terms, without reference to the transcendent, reporting higher levels of ethical compliance.

There have been many different approaches to determining exactly how religion leads to ethical frameworks. Yu (2005) for example, considers the difference between western and eastern approaches, as exemplified by Socrates and Confucius, and shows that both have serious religious beliefs, yet each has secular rational grounds for doing what he is doing. Finally, each philosopher has a different view about how human beings are related to the divine being, and the difference determines their different approaches to ethics.

OTHER ISSUES IN BUSINESS ETHICS

Human beings need trust, empathy, and solidarity, particularly in a business environment. By mutual consent, we must grant one another a certain degree of moral credit, that is, we must presume that behavior will be ethical and predictable. In order to proceed, the parties to any business dealings must somehow find a way to share the definition of what constitutes ethical behavior. By focusing on the similarities between religious and ethical systems, students may be able to come to an understanding of how a common set of ethical values can further their progress.

What is required is a sense of global ethics, to provide people the means to assess, form, and direct their moral awareness of the world and their place within it, and how to interact with others. Global ethics properly attends to the rightness or wrongness, the justice or injustice, of global dynamics, as well as the social reality they constitute. By educating today's students in this concept, we may be able to provide them with a way to move forward, no matter what their religious beliefs.

Culture is generally considered to be the shared beliefs and symbols evolved by a collective group that meaningfully differentiates the group from other groups (Macdonald, 2000, Alas,2006). The

comprehensive GLOBE study in 2004 (House and Javidan) defined culture as values, beliefs, motives, and interpreted meanings of significant events and common experiences among members of a collective group, transmitted over generations. The study identified nine core dimensions as culture markers: uncertainty avoidance; power distance; institutional collectivism; in-group collectivism; gender egalitarianism; assertiveness; future orientation; performance orientation; humane orientation, all of which manifest in both values and performance. A number of these share common aspects with Hofestede's landmark studies (1980, 1991).   According to Hofstede societies will display differences along four dimensions that relate directly to their cultures: power distance, individualism, masculinity and uncertainty avoidance. Placement of the individual's culture on these dimensions directly impacts perceptions in an ethical situation (Vitell et al.1993).

For example, Hofstede's *individualism* construct suggests that group norms, the need to please a group and to remain a member in good standing within the group will play a significant role in ethical decision making of an individual from a country low on individualism, from a collectivist culture. A person from a country high in individualism would instead be less influenced by the group norms and will weight self interest more highly in an ethical situation. Vitell et.al.(1993) therefore proposed that formal codes of ethics within an industry, profession or corporation would be less likely to influence an individual's ethical behavior, either during the formulation of a personal code of ethics or when considering an ethical situation. Research by Hegarty and Sims (1979) also found that personal desire for wealth was correlated with unethical behavior while the profit goals of an employer had no such correlation, thus suggesting that people from individualistic cultures were more likely to behave unethically for personal gain than for corporate gain. Cultures with high collectivism, on the other hand, have a propensity to place group goals above individual goals (Gelfand, et al., 2004).

Evidence of the power distance dimension theory can also be identified in ethical situations. In a culture where power distance is large, the dynamic of accepted inequality of position would cause a subordinate to succumb to pressure by a superior, and to follow their lead in ethical/unethical behavior. In a country with small or medium power distance, an individual would be less likely to follow a superior and/or formal company norms, and more likely to conform to peers' behaviors and informal norms (Ferrell et.al. 1983).

Similarly, a culture with strong uncertainty avoidance sets up a dynamic where there would be little tolerance of deviation from formal, organizational norms, which thus dictate behavior (Ouchi, 1981, Alas 2006).   However, in countries low on uncertainty avoidance, such as the US, there is a weaker, unpredictable bond between organizations and employees, and unethical behavior may be more accepted.

According to Hofstede (1980), countries characterized as masculine tend to encourage and support competition and ambition, with a goal of material success. Feminine cultures encourage the opposite, and thus may be more attuned to unethical practices, particularly masculine tactics. Masculine cultures may not recognize such situations as being unethical.

Culture has been identified repeatedly in the literature on ethics as being a major contributor to an individual's perception of what constitutes ethical behavior. There is also support in the literature for an association between religiosity and culture. While that aspect is not explored here, it is clear that these factors, whether separately or in combination, impact students in classrooms to varying degrees, and that awareness of those factors is essential to the goal of a common understanding of ethics.

CONCLUSION: THE MULTICULTURAL CLASSROOM AS A LABORATORY

Education has been shown to influence individuals' ethical behavior (Okleshen and Hoyt, 1996, Lopez, et al., 2005, Bennis & O'Toole, 2005). Lau (2009) found that education in ethics makes a positive impact

on students' ethical orientations by enhancing moral reasoning and stimulating the development of a personal sense of ethics. According to Kohlberg (1981), moral reasoning develops over time through education and experiences, in distinct, sequenced stages. Each stage demands increasingly complex thinking over a broadening scope. Later research on cross-cultural moral reasoning (Snarey, 1985, Ma and Cheung, 1996) suggests that the early stages of Kohlberg's theory appear to be universal across cultures. They found, however, that the latter stages will vary by culture. Students enrolled in graduate business programs are diverse in age, experience and culture. These students are likely in the latter stages of developing moral reasoning. Graduate programs, therefore, provide an ideal laboratory for identifying shared ethical principles.

In 2010, approximately 691,000 international students sat in U.S. classrooms, with the largest percentage studying business management. The fact that these students are going abroad for education suggests potential for cross-cultural understanding. Assuming that some degree of a shared ethical system is possible, it should begin with these future business leaders sitting across desks and tables throughout the U.S. This paper is merely a prelude to future endeavors. Its objective is to understand the ethical perspectives and tools our students bring to our classrooms. The multicultural classrooms in which we are privileged to teach permit the consideration of diverse ethical views to identify commonalities among them, so that an emergent ethical framework will respect and accommodate those views, and allow for a conceptual 'bridge' between students' specific, ethical systems and a shared ethical system.

Future research should consider the role of the faculty and the values and ethics they contribute to the classroom, as well as directly assessing the specific ethical systems of students and identifying commonalities and points of divergence.

Exhibit A: Key Aspects of Religions and Spiritual Beliefs

Religion or Belief System	God(s) and the state of the Universe	Purpose of life	Afterlife	Rewards for good behavior	Sacred Texts/Authority
Judaism	One God	Obey God, live ethically	Vague	In this life	Bible and Talmud
Christianity	One God, three personae	Serve God	Heaven and hell	In heaven	Bible as the word of God
Islam	One God	Submit to God	Heaven	In heaven	Qu'ram and tradition
Hinduism	Many gods as aspects of one God	Seek enlightenment	Reincarnation	Enlightenment	Vedas
Buddhism	No god	Gain enlightenment	Reincarnation	Enlightenment	
Shintoism	Multiple gods in nature (kami)	Obtain good things by purification and calling on kami	Death is bad and impure.	Some become kami after death	Kojiki and Nihon-Gi
Confucianism	No specific god	Fulfill one's role in society with honor, loyalty, and propriety	None	None	Analects
Taoism	Pantheism: unity consist of opposites	Inner harmony, peace and prosperity	None	None	Tao Te Ching

This table is a comparative representation of key aspects of religions and spiritual beliefs which influence culture and moral reasoning and which are likely to be represented in a multicultural classroom of a graduate management program.

Appendix A: Summary of Key Provisions of the Sarbanes-Oxley Act of 2002

TITLE I – PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
1. Establishing an oversight board made up of five financially literate members – two must have been CPA's and the remaining three must not.
2. Audit firms must register and be licensed by the board.
3. The Board will establish auditing and related attestation standards, quality control standards, and ethics standards to be used by registered firms. One standard will require working papers to be kept for seven years.
4. The Board will inspect registered firms – once a year if a firm audits more than 100 issuers and at least every three years for all other audit firms.
5. The Board may impose sanctions ranging from suspension to permanent revocation as well as monetary penalties, censure, or a mandate for additional training to any registered firm that violates the Act, other security laws, or the rules of the Board.
6. SEC has oversight over the Board, including rules and disciplinary actions.
7. Provides for funding of the Board from audit fees.

TITLE II – AUDITOR INDEPENDENCE
1. Prohibits audit firms from providing non-audit services to the issuing firm.
2. Requires rotation of lead audit or coordinating partner and the reviewing partner every five years.
3. The audit firm reports to the audit committee of the board (not senior management) and must disclose any critical accounting policies or practices and all alternative disclosure treatments consistent with GAAP, and the audit firm's recommended or preferred treatment.
4. To avoid "conflict of interest" no person in senior management could have been employed by the company's audit firm during the 1-year period preceding the audit.

TITLE III – CORPORATE RESPONSIBILITY
1. Public company audit committees are responsible for hiring and supervising the auditing firms and have access to resources for the hiring of legal and financial advisors to support their efforts.
2. The CEO and CFO of each issuer shall certify in each annual or quarterly report that they have reviewed the report and, based on their knowledge, that said reports contain no unfair statements and fairly present the financial condition of the company in all material respects.
3. The CEO and CFO and other senior officers are responsible for establishing and maintaining a system of internal controls, and for disclosing any deficiencies in these internal controls to the audit committee.
4. It is unlawful for any officer or director of an issuer to take action to fraudulently influence, coerce, manipulate, or mislead any auditor engaged in the performance of an audit for the purpose of making the financial statements materially misleading.
5. Requires the SEC to develop minimum standards of conduct for attorneys appearing and practicing before the commission.

TITLE IV – ENHANCED FINANCIAL DISCLOSURE
1. It is the responsibility of management to establish and assess internal controls and prepare a report to assess the effectiveness of internal control structures and procedures.
2. The auditor, as part of the audit engagement, must attest to the internal control report.
3. The SEC shall develop rules to require issuers to disclose whether at least one member of the audit committee qualifies as a financial expert, as defined by the act.

TITLE V AND VI – Focused on increase support for the SEC and requirements that clearer and more consistent rules be developed by the SEC, NYSE, and the NASDAQ to safeguard investors from unethical investment bankers or broker-dealers.

TITLE VII – STUDIES AND REPORTS
The GAO will conduct a study and report to assess the impact of the consolidation of public accounting firms.

TITLE VIII – CORPORATE FRAUD AND CRIMINAL
ACCOUNTABILITY ACT OF 2002
1. Impose criminal (felony) penalties for altering documents or destroying documents to impede, obstruct, or influence any contemplated federal investigation.
2. Whistleblower protection for employees of publicly traded companies who provide evidence of fraud. The law would prohibit the issuing firm from taking any action against the employee.

TITLE IX – WHITE COLLAR CRIME PENALTY ENHANCEMENTS
1. The CEO and CFO must certify that the financial statements fairly present to condition of the reporting entity.
2. Maximum penalties for willful certification of financial statements known to be misleading will have fines of not more than $5,000,000 and/or imprisonment of up to 20 years.

TITLE XI – CORPORATE FRAUD AND ACCOUNTABILITY
Tampering with a record or otherwise impeding official proceedings shall be fined and/or imprisoned for up to 20 years.

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